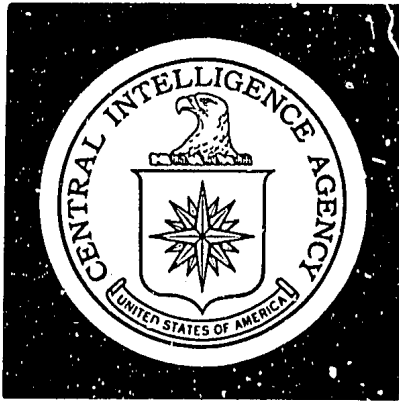


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Equatorial Guinea: Economic Chaos And The Drift To The Left

Secret

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1971

INTELLIGENCE MEMORANDUM

EQUATORIAL GUINEA:
ECONOMIC CHAOS AND THE DRIFT TO THE LEFT

Introduction

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1. Africa's youngest country, independent from Spain only since October 1968, faces a deteriorating economic situation largely because of the policies of [] Francisco Macias Nguema. Jealous of his country's new independence, Macias has attempted to remove Spain's economic hold – which was virtually complete before independence – and replace it with what he thinks will be less "neocolonial" Communist and radical African support. So far, however, no alternative to Spanish support has materialized. This memorandum examines the pre-Macias colonial economy and assesses the impact of his policies on the country since independence.

Discussion

Background

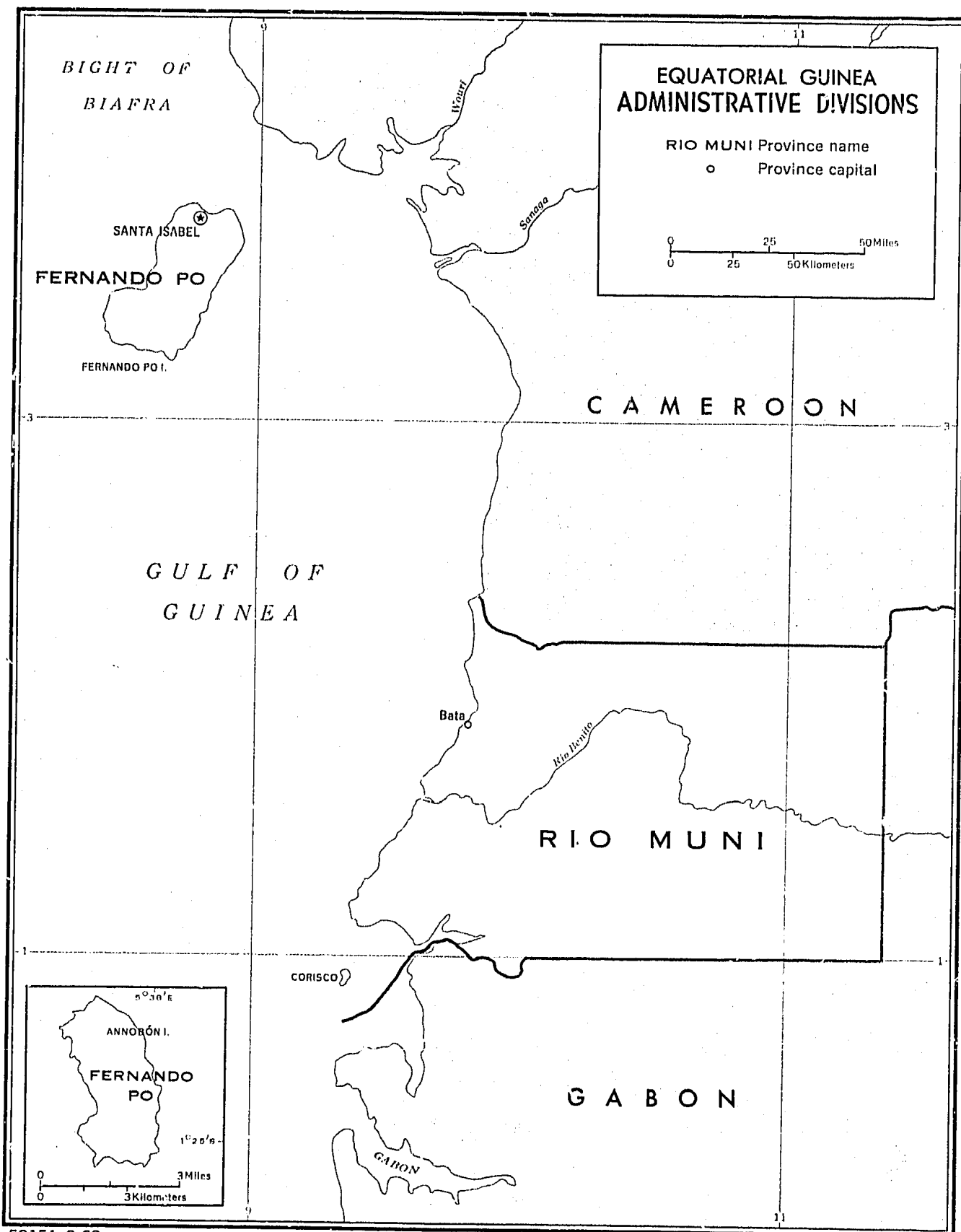
2. Only slightly larger than Maryland, Equatorial Guinea consists of the lush cocoa-producing island province of Fernando Po – which initially opposed union – and the poorer mainland province of Rio Muni (see the map, Figure 1). Gross domestic product (GDP) in 1968 was about \$40 million, but per capita GDP on Fernando Po was \$250, compared with only \$100 on Rio Muni. Equatorial Guinea's population of about 300,000 is small – even for a mini-state. The Fangs, the dominant mainland tribe, account for three-fourths of the people. The next largest group traditionally

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has comprised foreigners, mostly Nigerians imported to work the cocoa plantations, since the Guineans scorn manual labor. The rest of the population consists of a number of smaller tribes.

3. Equatorial Guinea's economy is based largely on three products that are exported mainly to Spain - cocoa, timber, and coffee. Annual export earnings are about \$25 million. Cocoa, mostly of very high quality, is grown on plantations on Fernando Po (see Figure 2), which have depended on Nigerian contract labor. Production has varied from 30,000 to 39,000 metric tons a year, but as 80% of the arable land is cultivated, little room remains for expansion. The timber and coffee are grown on Rio Muni (see Figure 3). Annual timber production has averaged around 350,000 tons, but reserves will probably be exhausted by 1980 unless some reforestation is begun soon. The coffee is of a very poor quality.

Pre-Independence Economic Situation

4. Prior to independence, Equatorial Guinea was an economic satellite of Spain. Spain stabilized and subsidized exports, provided half of imports, balanced the budget, and provided infrastructure and technical assistance. Total Spanish support in 1967 was about \$14 million - about one-third as large as GDP.

5. Thanks to Spain, the colony persistently achieved very favorable trade balances. In 1966, for example, Spain imported goods worth \$22 million from Equatorial Guinea, which in turn took only \$6 million in Spanish imports and had total imports of less than \$12 million. Spain took almost all of the exports at fixed, relatively high prices. This policy meant price stability for cocoa exports, which otherwise would have faced extremely volatile price changes in the world market, and a subsidy for timber and coffee. The poor-quality coffee, furthermore, may not have been marketable outside of Spain. In addition, the colony's trade benefited from the subsidized freight rates of Spanish air and sea carriers.

6. Financially, too, the colonial government's position was sound prior to independence, but for largely the same reason - Spanish support. The budget was subsidized by Spain, and Equatorial Guinea was included in the Spanish development plan. Spain operated and maintained telecommunications, roads, and airports. Madrid has continued to provide assistance since independence even though President Macias has delayed signing Spanish aid agreements while searching for other aid sources.

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FIGURE 2. GUINEAN COCOA PLANTATION. COCOA IS EQUATORIAL GUINEA'S MOST IMPORT- AND EXPORT.



FIGURE 3. LUMBERING ON RIO MUNI. LUMBER- ING RANKS NEXT TO COCOA IN IMPORTANCE TO THE EQUATORIAL GUINEAN ECONOMY.

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Post-Independence Economic Situation

7. Since independence the economy has been dominated by the whims of President Macias. In the first two and one-half years, governmental administration and economic development have been neglected; [redacted]

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[redacted] In the process he has instituted many of the practices of a police state: incoming and outgoing mail is censored, foreign publications are forbidden, ministers are frisked, and foreigners and certain Equatorial Guineans are kept under constant surveillance by the uniformed and un-uniformed security services. Macias (a member of the dominant Fang tribe) became the first president of Equatorial Guinea and apparently plans to remain president for life. A primary school graduate exhibiting excessive nationalism and increasing instability, he recently suspended the "colonialist" constitution, dissolved the legislative assembly, and assumed all power for himself. He now personally plans to nominate all deputies, draft a new constitution, and reorganize the "colonialist" courts of justice. He apparently plans to draft no new budgets, however, having summarily informed one UN adviser that an independent Equatorial Guinea needs no budget, and in the remote possibility that it ever does, the 1970 budget can be used indefinitely.

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8. Spanish administrators and civil servants remained in large numbers in Equatorial Guinea until April 1969, when a Macias-provoked confrontation with Spain triggered a mass exodus. The Spanish population declined from about 10,000 to less than 1,000, resulting in the loss of government administrators and many Spanish businessmen. Another exodus of businessmen came in January 1971, when the government levied fines totaling \$2.5 million on 50 Spanish businesses for alleged anti-government activities.

9. Somewhat surprisingly despite these actions, Spain has continued to make the best of an exasperating situation for reasons that are not clear but supposedly to be able to point to a successful decolonialization. After cooperation accords were agreed on in May 1969, Madrid provided more than \$14 million in aid for calendar year 1969 - about the same level as before independence. Of this, about \$6 million was in cash for budgetary support. In 1970, in addition to other aid programs, Madrid was prepared to provide another \$6 million in budgetary aid - pending negotiations and an end to attacks on Spain - but Macias seemingly was unwilling to negotiate, so aid in 1970 apparently was less than previous levels. In May 1971 an Equatorial Guinean delegation went to Spain to discuss new aid and cooperation being offered by Madrid, including more than \$7 million in technical assistance and project agreements in addition to such other

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aid as subsidies to airlines, shipping, and telecommunications and export subsidies. Macias, however, has not yet given his approval, so no agreements have been signed. Spain continues to provide a guaranteed market for Equatorial Guinea's exports, without which only cocoa could compete on the world market. Most exports and imports still travel at subsidized rates on the Spanish lines, and the only air link with Europe is a weekly Iberia plane. Even the "national" airline is owned 90% and run 100% by Iberia.

10. In addition to his actions toward Spain, Macias has pursued other almost equally illogical policies. He has not signed a pending labor agreement with Nigeria in an attempt to Guineanize the labor force by replacing the 40,000 Nigerian cocoa workers with his fellow Fang tribesmen. The Fangs, however, do not care for manual labor, and only about 2,000 have accepted work on the plantations. These have antagonized the remaining Nigerians whom the Fangs accuse of working too hard and too fast.

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11. An estimated 20,000 Nigerian workers already have left and more continue to do so as their contracts expire. Some doubtlessly are drawn home by the end of the Nigerian civil war, but others reportedly are eager to leave because they have been mistreated physically and want to escape the atmosphere of repression and uncertainty. Macias is prohibited from recruiting any more Nigerians until he signs the agreement. The administrative chaos and the loss of many Spanish plantation owners brought a moderate drop in cocoa production in 1970 - to 29,500 tons - but the potential loss of all the Nigerian plantation workers and the consequent lack of anyone to harvest could have a profound effect on future crops.

12. Macias also has paralyzed government administration by insisting on making virtually every decision himself.

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Since the departure of the Spanish, except for advisers from the UN and the Organization of African Unity (OAU), the country appears to have no effective governmental machinery. Many of the advisers fill governmental operational posts and attempt against great odds to counteract the chaos.

13. The trade balance, characteristically favorable in pre-independence days, gradually is reflecting the political situation. It continued to be favorable through 1969 largely because of reduced imports that were held down by bureaucratic delays in allocating foreign exchange and by the flight of foreign nationals. In 1970, however, imports picked up to an estimated

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\$27 million as stocks were replenished. With declining export receipts, the trade balance was about even rather than showing the usual sizable surplus.

14. Government finances continued relatively sound in 1970 even though the official budget shows a deficit of more than \$6 million. Total expenditures shown as \$24 million in the budget actually were less because of Macias' financial conservatism and a lack of experienced personnel in the bureaucracy. In the first ten months of 1970, actual expenditures totaled just \$9 million and receipts and carryover from 1969 together exceeded \$10 million. New pressure, however, will be placed on expenditures and foreign reserves by Macias' current fondness for costly prestige projects.

financial pressures will increase as other payments are made, without long-term foreign financing, for such projects now under way as a new presidential palace at \$2 million and the improvement of the port of Bata at \$8 million. Furthermore, future receipts could be curtailed considerably if agricultural output continues to decline or if Spain is finally alienated.

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The Drift to the Left

15. Macias has hoped to replace the "colonial imperialists" with new friends from Communist and radical African states. The USSR was first on the scene, setting up a large mission shortly after independence. The North Koreans set up an embassy in 1970 and led the race for Macias' favor until the Chinese Communists arrived later in 1970. An Equatorial Guinean delegation signed commercial and cultural accords in Peking in January 1971, after which Macias optimistically announced that his country no longer needed Spain since it now had China. Equatorial Guinea also has diplomatic relations with Czechoslovakia and East Germany and has agreed to exchange ambassadors with Yugoslavia and Hungary. At first Macias appeared to rely heavily on radical OAU advisers from the Republic of Guinea in the foreign ministry, and they were instrumental in seeing that most aid channeled through the OAU came from Guinea and other radical African nations.

16. The USSR, China, and North Korea have proffered assistance far below Equatorial Guinea's expectations. Despite Macias' optimism, accords signed with both the USSR and China thus far seem more statements of principle than promises of action. In 1969, Equatorial Guinea received altogether \$10.3 million in capital assistance and \$750,000 in technical assistance. Of the capital assistance, Spain provided \$10.0 million and other African countries provided \$243,000 through the OAU. The Soviet level of activity has been low, including only a few scholarships, a commercial agreement, the sale of a Soviet aircraft, one arms delivery, and a few visits

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by Soviet ships. In 1971, activity increased with additional clandestine arms deliveries and economic and military missions. Libya made a \$1 million cash donation in 1971 and also may have provided several million in loans. Other less important donors have included Israel, Switzerland, France, Nigeria, the United States, the World Health Organization, and the International Red Cross.

Conclusions

17. Equatorial Guinea currently is contending with an unstable political regime, a deteriorating economy, and administrative paralysis. As a colony, it depended on Spain, and as an independent country it probably would never be strong economically even with a more stable leader. It has neither significant industries nor known minerals and will require export preferences as well as considerable financial and technical aid to maintain current living standards. Spain has provided virtually all of these so far and has offered new assistance, but how long its charitable attitude will continue in the face of continuous Equatorial Guinean rebuffs remains to be seen. Macias has courted Communist presence in the country in the hope of obtaining an alternative to Spanish support, but so far no one seems eager to take over Spain's burden.

18. Although Macias could get his country's economy on a more promising path by signing pending cocoa worker agreements with Nigeria and general economic cooperation agreements with Spain, the erratic president seems unable to identify his country's best interests. Chances are that the situation will continue to deteriorate as long as Macias remains in power. A change in leadership, however, does not appear likely, since the main opposition is either dead, under arrest, or cowed as Macias has enhanced his authority through force and terror. With his police state tactics, Macias apparently has a firm hold on the government.

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